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FOR AF/EPS AND AF/S; DEPT PLS PASS TO A/USTR - F. LISER

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SUBJECT: THE GAP - STATUS IN LESOTHO

¶1. (SBU) Following rumors concerning the potential withdrawal of the GAP as a major buyer of Lesotho's textile products, Ambassador Perry contacted GAP Limited President and CEO Paul Pressler via faxed letter on December 14. In response, GAP Inc's Vice President for Social Responsibility (Dan Henkle) called the Ambassador.

¶2. (SBU) During the 12/19 telcon, we reviewed the USG's commitment to Lesotho as a star AGOA performer and projected the potentially significant impact suspension of GAP purchases would have on an economy already weakened by (1) HIV/AIDS in the work place, and (2) by the end of the Multi Fiber Agreement. The GAP representative concurred with our assessment and assured us that the company was not pulling out of Lesotho, but was making some adjustments in its ordering of denim and knit products. GAP Inc. foresees only a minor reduction in one design product of the Old Navy line and a significant increase in its acquisition of knitwear made in Lesotho, thus maintaining its significant share (35%) of the garments produced in Lesotho. We emphasized the corporate responsibility of U.S. firms in Africa and our continued desire to have a sustainable public/private partnership in Lesotho.

(SBU) Comment: We have learned that one Basotho firm (parent company is Taiwanese) ginned up the GAP withdrawal rumor and produced a global round robin e-mail starting with Lesotho's Minister of Trade. Since our December exchanges with GAP San Francisco officers, we have spoken with the President of Lesotho's Textile Exporters Association and the Minister of Finance. Both are cognizant of the accurate picture of GAP Inc's involvement. The GOL is looking forward to high-level international corporate participation (including GAP Inc.) in the January 22-24 Multi Fiber Forum in Lesotho and the expected role of the Global Business Coalition in Lesotho during the first quarter of 2006. End Comment

PERRY